



## Doing Business in Malawi:

# 2016 Country Commercial Guide for U.S. Companies

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# Doing Business in Malawi

## Market Overview

- Malawi is one of the poorest nations on earth, with over 17 million inhabitants and a population growth rate estimated at approximately 3%. Annual per capita Gross National Income (GNI) is \$250.
- Agriculture is the mainstay of Malawi's economy, accounting for about one-third of GDP and almost 75% of export earnings (tobacco accounts for 50% of exports). The agricultural sector employs nearly 65% of those in formal employment, and directly or indirectly supports an estimated 85% of the population (including subsistence farming). Tobacco, tea, and sugar are Malawi's principal exports, together generating over 80% of export earnings.
- Malawi's industrial base is very small and developing slowly. There are a few factories processing sugar, tea, tobacco, rubber, and other agro-products.
- Malawi has a relatively free investment environment, but poor infrastructure (particularly unreliable electricity and water), high transport costs, and bureaucratic hurdles tend to inhibit investors.
- Malawi has a fairly independent, albeit overburdened, judiciary that derives its procedures from English common law.
- In May 2014, Malawi held presidential, parliamentary, and local government elections. Power transferred peacefully for the fourth time in the young democracy's history with the election of the Democratic Progressive Party's Peter Mutharika as Malawi's new president.

## Trade Statistics

Malawi	2010	2011	2012	2013	2014	2015
Total Exports (USD million f.o.b)	964	908	1467	1,388	1,411	1,491
Total Imports (USD million )	1671	1687	2590	2,753	2,877	2,791
U.S. Exports to Malawi (USD million F.A.S)	37	66	64	55	51	36
U.S. Imports from Malawi (USD million)	71	65	66	73	67	61

*Sources: Malawi trade data from Malawi Ministry of Finance, Economic Planning and Development and Bilateral trade data from U.S. Census Bureau  
<http://www.census.gov/foreign-trade/balance/c7970.html>*

## Market Challenges

- High transport costs due to Malawi's landlocked position. Transport costs can constitute more than 30% of the country's total import and export bill.
- Unreliable power and water supplies. Approximately 10% of Malawians have access to electricity (1-3% in rural areas).
- Lack of skilled and semi-skilled labor.
- Political risk; administrative and regulatory uncertainty. The Government of Malawi has often made dramatic changes to key policies and regulations, frequently affecting businesses' profitability.
- Longstanding commercial relationships with South Africa, Malawi's primary supplier of imported goods. Although U.S. products are respected, a lack of historical business ties between the United States and Malawi, together with comparatively high product and transport costs, disadvantages U.S. suppliers

## Market Opportunities

- U.S. products in significant demand include computers, pharmaceuticals, used clothing, telecommunications equipment, used trucks, and agricultural machinery.
- In the agricultural sector, legumes (such as soybeans, peanuts, and pigeon peas), corn, sugarcane, and poultry represent areas for potential U.S. investment.
- Investment opportunities also exist in mining and energy, including electricity generation.
- President Mutharika has made positive statements urging his government to take tangible actions to attract investors and maintain economic and financial reforms including a floating exchange rate regime and automatic price adjustment for fuel and utilities, demonstrating commitment to a market-led economy.
- There are around 25 U.S.-affiliated companies doing business in Malawi, including two of the principal processors and exporters of tobacco, seed companies, professional services firms, and distributors and franchisees of U.S. brands. Malawi does not have an American Chamber of Commerce (AMCHAM).

## Political Environment

### Political Environment

For up to date information about the political environment <http://www.state.gov/r/pa/ei/bgn/7231.htm>

## Selling U.S. Products & Services

### Using an Agent to Sell U.S. Products and Services

Subsidiary or affiliate companies of U.S. organizations operate in several areas, including agro-industry, tobacco, computers/office equipment, and services. Finding partners or agents and distributors for U.S. products generally is not difficult, with the notable exception of technically-advanced products requiring substantial local support capabilities. For such products, arrangements are sometimes made with firms operating from South Africa.

### Establishing an Office

The Government of Malawi is officially supportive of foreign businesses interested in establishing agency, franchise, joint venture, or licensing relationships. The government encourages local and foreign investment in any sector of the economy with moderate restrictions on ownership. There are no restrictions on the size of investment, the source of funds, or whether products are destined for export or for the domestic market. However, retail operations in rural areas are not permitted by non-Malawian firms.

The Malawi Investment and Trade Center (MITC) is mandated to promote, attract, encourage, facilitate, and support domestic and foreign investment and trade, and publishes an “Investors Guide,” which may be obtained upon request or by visiting MITC’s website: [www.mitc.mw](http://www.mitc.mw). In late 2014, the government prepared a list of investment opportunities in Malawi. This Investment Compendium is available on the MITC website.

MITC’s functions include guiding foreign and domestic companies that wish to establish a local office. In Malawi, starting a business requires formal registration of the company name, business licensing, residence permitting for any expatriate staff, and registration with tax authorities. Business licenses are valid for one Malawi financial year (July through June) and must be renewed annually.

After a business is registered and licensed, additional steps may need to be taken depending on the type of business. For example, if a business includes production or manufacturing activities, the workplace must be registered with the Ministry of Labor and inspected by the Department of Occupational Safety, Health and Welfare.

To expedite business startup, MITC operates a One Stop Service Center that hosts representatives from government agencies in charge of business and tax registration, immigration, and land access.

### Franchising

There are no restrictions on franchising in Malawi. Opportunities exist for franchise operations, as U.S. brands are valued in Malawi, however, a limited number of Malawian businesses have the investment capital available to operate a franchise.

### Direct Marketing

The Malawi business community is familiar with U.S. products. A U.S. company may market directly through an established importer or agent or by opening an office in Malawi. Competitive pricing and reliability of supply – despite transportation bottlenecks and unpredictable border-crossings – are essential to enter and stay in the market. Most products imported into Malawi have traditionally come from nearby South Africa and Zimbabwe. In recent years products from the Middle East and China have been quite successful in Malawi due to their cost advantage. However, many Malawians value quality and durability as well as price.

### Joint Ventures/Licensing

The Government of Malawi allows joint ventures under the Partnership Act. The amount and form of capital invested in a joint venture are not regulated. Joint ventures, like any other business, must be licensed by the Registrar General in the Ministry of Justice.

### Selling to the Government

The Government of Malawi issues periodic tender notices for supplies and services in local and international publications 15 to 90 days before the bids are due. Detailed bid documents are normally obtained from a specific government ministry, department, or agency for a usually low non-refundable fee. Bids are often opened in the presence of bidders or their representatives. Malawi is not a signatory to the WTO Government Procurement Agreement.

Most public procurement opportunities are advertised in the printed versions of the leading national newspapers.

- Daily Times: <http://www.times.mw>
- The Nation: <http://www.mwnation.com>

The U.S. Embassy sends Trade Opportunity (TOP) notices with information on major public bids to the U.S. Department of Commerce in Washington, DC (see <http://www.export.gov/tradeleads/index.asp>). Major procurements are also listed in the U.S. Department of State's Business Information Database System (BIDS, at <http://bids.state.gov>).

### Multilateral Development Banks (African Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the African Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the African Development Bank (<http://www.export.gov/afdb>) and the World Bank (<http://export.gov/worldbank>).

### Web Resources

Commercial Liaison Office to the African Development Bank <http://www.export.gov/afdb>

Commercial Liaison Office to the World Bank <http://export.gov/worldbank>

## Distribution & Sales Channels

Product distribution in Malawi can be problematic since some rural areas are difficult to reach and become inaccessible during the rainy season (roughly November to April). In addition, there is negligible purchasing power outside cities. Some companies have a network of rural distributors, but many firms opt to reach rural markets through wholesale arrangements with local entrepreneurs. Imported goods enter Malawi through sea ports in Tanzania (Dar es Salaam), Mozambique (Nacala and Beira) and South Africa (Durban). These goods are delivered to the three main cities (Blantyre, Lilongwe, and Mzuzu) before onward distribution to surrounding districts. Similarly, Malawi's major manufacturers have central warehousing in the three main cities that serve as their distribution hubs.

## Express Delivery

Express delivery services are available for both domestic and international destinations. International courier companies (FedEx, DHL, and UPS) have a presence in Malawi. A couple of local courier companies are reliable for domestic express delivery.

In 2015, the de minimus amount for customs declaration was raised from 100,000 Malawi kwacha (about \$143) to 300,000 Malawi kwacha (about \$429).

## Selling Factors & Techniques

Most manufacturers distribute their products through wholesalers or agents. There are no specific labeling requirements on most goods, with the significant exceptions of medicines and goods meant for human consumption. Labeling may be in any language; however, Malawi's official language is English. Chichewa is the most prominent of seven national languages. Labels are required to list ingredients and expiration dates.

## eCommerce

E-Commerce is not widely available in Malawi. Internet penetration is estimated to be only 6.5% in total but reaches almost 30% in cities. Almost 80% of connected Malawians access internet on their mobile device. Mobile phone operators are aggressively marketing mobile money currently used by 7.7% of Malawians with much higher adoption rates in urban settings. Few people have credit or debit cards, further limiting access to internet shopping.

## Trade Promotion & Advertising

Sellers advertise their products and services through a variety of media including advertisements in the main daily newspapers and on radio and television. The newspapers with the largest circulation are "The Nation" and "The Daily Times," including their sister papers "Malawi News" and "The Weekend Nation," respectively. State-owned MBC Radio and privately-owned Zodiak Broadcasting Station reach significantly more Malawians than any of the print media. Urban private radio stations, including Capital FM, are also popular and may be preferred for advertising in the cities of Blantyre, Lilongwe, Mzuzu, Zomba, and surrounding areas.

Malawi Broadcasting Corporation (MBC) TV is the main television station and is funded and controlled by government of Malawi. Zodiak TV and Times TV have recently gained popularity and reach all major urban areas in Malawi. The most affluent subscribe to satellite television networks.

- Times Group: <http://www.times.mw> The Nation: <http://www.mwnation.com>
- Zodiak: <http://www.zodiakmalawi.com>
- Capital Radio: <http://www.capitalradiomalawi.com>
- Malawi News Agency: <http://www.manaonline.gov.mw>
- Malawi Broadcasting Corporation: <http://www.mbc.mw>



## Pricing

Prices for most goods are generally market-determined. Low priced goods tend to sell very well due to the generally low income levels of most Malawians. The arrival of inexpensive Chinese-made products has negatively impacted sales for many local and western-made products. Pricing structures tend to take into account the cost of international and domestic transportation of imports, whether final products or inputs. Transportation costs can be substantial in land-locked Malawi. Customs duties and value-added tax (16.5%) also contribute to final prices.

Petroleum and sugar are still subject to some degree of price controls. The state-owned Agricultural Development and Marketing Corporation (ADMARC) has intervened in the maize market in the recent past, attempting to stabilize prices. With a declared intent of protecting poor farmers and alleviating poverty, the Government of Malawi has also intervened in the marketing of tobacco and cotton to set minimum floor prices. State-provided utilities and services (water, electricity, etc.) are also subject to varying degrees of government price administration. Recently, automatic pricing systems with predetermined trigger points were introduced for strategic goods such as petroleum and utilities.

## Sales Service/Customer Support

Major retailers offer guarantees on purchases of durable household items such as stoves, refrigerators, televisions, and so on. After-sales services and customer support is common in the ICT and automobile industries. A number of companies and agents in the four major towns of Blantyre, Lilongwe, Mzuzu, and Zomba offer sales and customer support services.

## Due Diligence

Firms that specialize in verifying the authenticity, diligence, and bona fides of banks, agents, and customers do not exist in Malawi. However, the Reserve Bank of Malawi's bank supervision department rates banks, as do correspondent banks and international rating agencies. The Malawian parliament passed legislation in 2015 that will facilitate the establishment of Credit Reference Bureaus in the country, but the lack of a national ID has slowed implementation.

The U.S. Embassy has the capacity to provide commercial services when requested through a U.S. Department of Commerce district office or when contacted directly by a U.S. company. Embassy Lilongwe can help with market information and advice, and provide advice on potential partners for businesses. Embassy Lilongwe provides the following branded commercial services:

- Gold Key Service: Embassy Lilongwe pre-qualifies companies and schedules meetings.
- International Partner Search: Embassy Lilongwe provides a pre-screened list of potential business partners.
- International Company Profile: Embassy Lilongwe provides a recommendation on the suitability of the profiled company for business partnerships.
- Contact List: Embassy Lilongwe provides a sector- or product-specific list of local companies.

## Local Professional Services

Local professional services are easily accessible in the following areas: accounting and auditing, engineering, law, architecture, surveying, and medicine. Three international professional auditing firms – Deloitte, Ernst and Young, and KPMG – have a local presence in Malawi.

## Principal Business Associations

Several professional bodies play a key role in Malawi's economic governance. These professional bodies are well respected and Malawians listen to what they have to say in areas of their expertise; government too, pays attention to the views and opinions of these associations. The most prominent include:

- The Economics Association of Malawi



- The Institute of Chartered Accountants in Malawi
- The Malawi Institute of Engineers
- The Bankers Association of Malawi
- The Consumer Association of Malawi
- The Employers Consultative Association of Malawi

Other professional bodies that U.S. companies can benefit from joining or consulting include the Law Society and the Malawi Confederation of Chambers of Commerce and Industry (MCCCI). As a broad-based, multi-sector group, MCCCI may be particularly helpful to U.S. companies interested in entering the Malawi market.

### Limitations on Selling U.S. Products and Services

There are some limitations on foreign control.

Land can only be sold to foreigners after the owner demonstrates that no Malawian has shown interest in buying the land at the purchase price the owner and foreigner have agreed upon.

In the mining industry small-scale prospecting and mining operations are reserved for Malawians and foreigners who have resided in Malawi for a minimum of four years.

In the case of the privatization of any state-run entity, Malawi Stock Exchange regulations limit participation of an individual foreign portfolio investor to a maximum of 10% of any class or category of security under the privatization program and limit maximum total foreign investment in any portfolio to 49%. When state-run entity is privatized, Malawian nationals are offered preferential treatment, including discounted share prices and subsidized credit. Subsidized credit carries a precondition that the shares or assets be retained for at least two years.

Retail operations in rural areas are limited to Malawian citizens.

### Selling U.S. Products and Services Web Resources

- Malawi Investment and Trade Center: <http://www.mitc.mw>
- Malawi Confederation of Chambers of Commerce and Industry: <http://www.mccci.org>
- Department of Commerce Trade Leads database: <http://www.export.gov/tradeleads/index.asp>
- Department of State Business Information Database System (BIDS): <http://bids.state.gov>
- Times Group: <http://www.times.mw>
- The Nation: <http://www.mwnation.com>
- Zodiak: <http://www.zodiakmalawi.com>
- Capital Radio: <http://www.capitalradiomalawi.com>
- Malawi News Agency: <http://www.manaonline.gov.mw>
- STOP! Hotline: [www.StopFakes.gov](http://www.StopFakes.gov)

## Trade Regulations, Customs, & Standards

### Import Tariff

As a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), Malawi grants reciprocal preferences to member states of these organizations. Malawi also has bilateral trade agreements with South Africa, Mozambique, and Zimbabwe which allow duty exemptions on selected commodities. The SADC Trade Protocol calls for the establishment of a SADC Free Trade Area that stipulates the gradual elimination of tariffs between member states. In principle, the SADC FTA took effect in January 2008, although certain members (Malawi, Mozambique, Tanzania, and Zambia) are still implementing their scheduled tariff phase-down.

In general, import duties and excise taxes vary according to product, country of origin, end use, and national interest decisions. Depending on the good, import duty, excise tax, and value added tax (VAT) may all be charged. The Malawi Investment and Trade Center posts relevant information on its website <http://trade.mitc.mw/>, and can assist foreign and domestic companies in identifying incentives available to them and liaising with other government authorities to identify the relevant rates for the company's products.

### Trade Barriers

Malawi operates an import and export-licensing system with restrictions largely based on health, safety, and national security reasons. One of the most significant hurdles firms face is lengthy border crossing delays. Efforts are underway to improve the ease of trading across Malawi's borders by establishing one stop border posts.

### Import Requirements & Documentation

According to customs regulations, the following documents can be demanded by customs officials:

- Advice note
- Bill of lading
- Certificate of origin
- Commercial invoice
- Malawi Revenue Authority Form 12
- Customs declaration for Mozambique (transit document)
- Delivery order
- Malawi Revenue Authority Form 19
- Inspection report from scanner (transit document)
- Packing list
- Release order
- Report order

Malawi Revenue Authority customs forms are available online at <http://www.mra.mw/>.

Additionally, requirements vary slightly depending on the mode of transport into Malawi:

Transport by road vehicle:

- A complete list of the goods carried
- Copies of all waybills
- Copies of consignment notes

Transport by aircraft:

- Manifests of the cargo signed by an authorized person at the point of departure
- Lists of the passengers and crew
- Lists of any goods on board which are accompanying passengers (i.e., baggage)
- The clearance, if any, from the last foreign port
- The aircraft's journey log book

Transport by train:

- Copies of invoices
- Waybills
- Delivery and advice notes
- Other documents for goods which will enter at that port
- Lists of all goods carried on the train other than the cargo

- A "Clean Report of Findings" from the Intelligent Transport Systems (ITS) affiliate in the exporting country is also required

### U.S. Export Controls

For information on the latest U.S. export and re-export regulations, please go to the following website: <http://www.bis.doc.gov/>

A list that consolidates eleven export screening lists of the Departments of Commerce, State, and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: <http://developer.trade.gov/consolidated-screening-list.html>.

### Temporary Entry

Under Malawi law, the Controller of Customs and Excise is authorized to allow the temporary importation of goods. The Controller may impose conditions on temporary importation -- such as mandatory re-export -- and may allow entry "for such period as he thinks fit" and "for such purposes as he may approve." Temporary entry is customarily authorized when goods are in transit to other countries, or when goods are accompanying tourists. Many freight-clearing agents are familiar with the processes required at the port of entry for such goods to enter Malawi.

### Labeling/Marking Requirements

There are no specific labeling requirements on most goods, with the significant exceptions of medicines and goods meant for human consumption. Labeling may be in any language; however, Malawi's official language is English. Chichewa is the most prominent of seven national languages. Labels are required to list ingredients and expiration dates.

Labels for medicines are monitored by the Pharmacy and Poisons Board. In general, the Malawi Bureau of Standards is responsible for monitoring to ensure that products are properly labeled and marked. The bureau is stricter for food products than for others. Producers are required to declare the composition of their products and ensure that products conform to what is declared in the label.

### Prohibited & Restricted Imports

A number of import and export commodities are subject to a licensing regime. Licenses are also required for certain goods of national security significance. This includes military or police uniforms and radioactive substances. The Ministry of Trade and Industry issues import and export licenses. It frequently reviews and changes the lists of goods subject to licensing. In principle, changes are published in the Government Gazette. Licenses are valid for six months, but may be extended.

Goods currently requiring an import license are:

- Cement
- Cooking Oil
- Laundry Soap
- Fresh Milk
- Liquor (in plastic packaging or bottles)

Goods currently requiring an export license are:

- Implements of war (other than arms and ammunition), atomic energy materials of strategic value, and items of primary strategic significance used in the production of arms and ammunition and other implements of war, including the following metals: Beryllium, Cobalt, Tantalum, Uranium, Lithium, Columbite, Niobium, Thorium, Germanium, Titanium Nickel; and any materials containing such metals.
- Petroleum products

- The following gemstones in the unmanufactured state: Corundum, Garnet, Quartz, Tourmaline, Turquoise, Beryl, Zircon, Jade, Olivine, Feldspar, Topaz, Opal, Chrysoberyl, Spinel, Lazurite
- Scrap metal
- Hides and skins in processed and non-processed form
- Rice, including: rice meals, rice bran, rice residues
- Raw hard round wood timbers
- Live poultry, including day-old chicks
- Maize, including: dried maize, on or off the cob, crushed maize or samp
- Maize meal, including, Maize grits, Maize cones, Hominy cop, Maize offals, or Processed maize meal with or without additives

\*\*Due to food insecurity, there is currently a total ban on the export of maize.

## Customs Regulations

The General Commission  
Malawi Revenue Authority  
Private Bag 247  
Blantyre, Malawi  
Tel: (265) 1-822 588 or 1-820 844  
Fax: (265) 1-820 202  
<http://www.mra.mw>

## Trade Standards

### Overview

The Malawi Bureau of Standards (MBS), a member of the International Bureau of Standards, promotes conformity with internationally accepted standards. MBS prescribes and enforces product standardization in Malawi. All products manufactured locally for export must obtain certification before export. Hotel and catering services are also subject to reviews. Goods imported into Malawi are also checked to ensure that they meet standards set for such products.

### Standards Organizations

MBS is responsible for overseeing standards within Malawi. The Pharmacy and Medicines Board sets standards for medicines. The Ministry of Agriculture, Irrigation and Water Development sets standards for agricultural crops, meat products, and dairy products.

### Conformity Assessment

MBS enforces conformity with internationally accepted standards and performs product certification. The Pharmacy and Medicines Board and the Ministry of Agriculture monitor and enforce conformity with the standards that they respectively set.

### Product Certification

MBS is responsible for product certification for industrial and commercial sectors. Relevant government authorities certify other products such as medicines, hospital equipment, agricultural products, and educational products, etc.

### Accreditation

MBS is responsible for product accreditation and tests from accredited foreign laboratories are accepted.

### Publication of technical regulations

Technical regulations are not centralized and are, therefore, managed by relevant government departments. These are published in the Malawi Government Gazette and form part of relevant Acts.

#### Contact Information

Malawi Bureau of Standards

P.O. Box 946

Blantyre

Tel: + 265 1 670 488

Fax: + 265 1 670 756

[mbs@mbsmw.org](mailto:mbs@mbsmw.org)

Ministry of Agriculture, Irrigation and Water Development

P. O. Box 30134

Lilongwe 3

Tel: +265 1 789 033/252

Fax: +265 1 789 218

[agriculture@agriculture.gov.mw](mailto:agriculture@agriculture.gov.mw)

Pharmacy, Medicines and Poisons Board

P.O. Box 30241

Lilongwe 3

Tel: +265 1 755 165/166

Fax: +265 1 755 204

[admin@pmpb.malawi.net](mailto:admin@pmpb.malawi.net)

#### Trade Agreements

Malawi is a member of the World Trade Organization (WTO) and two regional trade blocs: the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). Under the COMESA Treaty, all goods may be traded among member states under preferential treatment as long as they satisfy the prescribed rules of origin. The SADC Trade Protocol calls for the establishment of a SADC Free Trade Area that stipulates the gradual elimination of tariffs between member states. In principle, the SADC FTA took effect in January 2008 although certain members (Malawi, Mozambique, Tanzania, and Zambia) are still implementing their scheduled tariff phase down. Despite Malawi's membership in these organizations, to date intraregional trade has not been a strong component of Malawi's exports.

#### Licensing Requirements for Professional Services

There are a number of professional services in the country that are regulated by their respective bodies. Lawyers have to be admitted to the bar by the judiciary in order to practice and the Law Society oversees their professional conduct. There are similar bodies for other professions such as accountants, auditors, engineers, architects, economists, and others.

#### Trade Regulation Web Resources

- <http://trade.mitc.mw>
- <http://www.mbsmw.org>
- <http://www.ecamamw.org>
- <http://www.moit.gov.mw>

## Investment Climate Statement

### Executive Summary

The Malawian government is eager to attract foreign direct investment. The Malawi Investment and Trade Center's One Stop Center offers assistance on how to navigate relevant regulations and procedures. In general there are adequate legal instruments to protect investors. Foreign investors are generally accorded national treatment.

Sugar cane production and processing, legumes, livestock production, dairy farming, oil seed processing, irrigation farming, and large scale commercial agriculture have the highest priority for investment in the agricultural sector. Independent power producers, particularly for hydropower and other renewable power sources, are encouraged.

Health science research projects need to be approved by the National Health Sciences Research Committee, which charges a 10% fee for its services.

Malawi has been largely free of political violence since gaining independence in 1964. Although divisions do exist, Malawi has no significant tribal, religious, regional, ethnic, or racial tensions that could be expected to lead to violent confrontation.

Although progress has been made addressing the issue of corruption, it continues to be viewed as a major obstacle to doing business in Malawi. Scarcity of skilled and semi-skilled labor is another serious impediment to business in Malawi and is most acute in occupational categories that include accountants and financial management personnel, economists, engineers, lawyers, IT, and medical/health personnel.

There is an established mediation process to promote agreements between parties in disputes before court proceedings start. Both foreign and domestic investors have access to Malawi's legal system, which functions fairly well and is generally unbiased but slow.

All investors have the right to establish, acquire, and dispose of interests in business enterprises. Foreigners require a business residence permit (BRP) to carry out any business activity in Malawi.

Government continues to undertake various reforms to ensure that no tax, labor, environment, health and safety, or other laws distort or impede investment. However, procedural delays continue to impede the business and investment approval process.

*Table 1*

Measure	Year	Index or Rank	Website Address
<b>TI Corruption Perceptions index</b>	2014	112 of 167	<a href="http://www.transparency.org/cpi2015">http://www.transparency.org/cpi2015</a>
<b>World "Ease of Doing Business" Rank</b>	2015	141 of 189	<a href="http://www.doingbusiness.org/rankings">http://www.doingbusiness.org/rankings</a>
<b>Global Innovation Index</b>	2015	98 of 141	<a href="https://www.globalinnovationindex.org">https://www.globalinnovationindex.org</a>
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2014	-5	<a href="http://bea.gov/">http://bea.gov/</a>
<b>World Bank GNI per capita</b>	2014	\$250	<a href="http://data.worldbank.org/country/malawi">http://data.worldbank.org/country/malawi</a>



## *Millennium Challenge Corporation Country Scorecard*

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produces annual scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

### Openness to and Restrictions upon Foreign Investment

#### Attitude toward Foreign Direct Investment

Malawi is eager to receive foreign investment and foreign investors are generally granted national treatment. The Malawi constitution protects investment irrespective of nationality. The government encourages both domestic and foreign investment in most sectors of the economy without major restrictions on ownership, size of investment, source of funds, or the destination of the final product.

#### Other Investment Policy Reviews

The World Trade Organization (WTO) conducts periodic Trade Policy Reviews of Malawi. The last one was conducted in April 2016. These trade policy reviews have informed development co-operation and assistance to Malawi.

#### Laws/Regulations on Foreign Direct Investment

There are a few legal restrictions on foreign investment based on environmental, health, biosafety, and national security concerns. Affected sectors are firearms and ammunition; chemical and biological weapons; explosives; and manufacturing involving hazardous waste treatment/disposal or radioactive material. Since industrial licensing in Malawi applies to both domestic and foreign investment, and is only restricted to a short list of products, it does not limit competition, protect domestic interests, or discriminate against foreign investors at any stage of investment. Additionally, retail operations in rural areas are limited to only Malawian citizens, although enforcement is weak.

While not discriminatory to foreign investors, investments in Malawi require multiple bureaucratic processes, which may include obtaining a business license, a tax registration number, and a land use permit. These procedures can be time consuming, particularly when it comes to land permits, and may constitute an impediment to investment. Investors may also face bureaucratic hurdles in obtaining temporary employment permits (TEPs) and business residency permits (BRPs).

#### Business Registration

To facilitate the process of starting a business, the Malawi Investment and Trade Center (MITC) operates a One Stop Center. It offers assistance to foreign and domestic investors of all sizes on how to navigate relevant regulations and procedures. It hosts representatives of the Registrar General, the Malawi Revenue Authority, the Department of Immigration, and the Ministry of Lands, Housing, and Urban Development. MITC's main website ([www.mitc.mw](http://www.mitc.mw)) and trade portal ([trade.mitc.mw](http://trade.mitc.mw)) provide information about sectors and projects targeted for investment.

In addition to MITC's One Stop Center, business registration can theoretically be done online at <http://www.registrargeneral.gov.mw/>. However, there are known problems with accessing the website and delays in acquiring a user name. To operate in Malawi, in addition to registering the company with the Registrar General, companies also need to register with the Malawi Revenue Authority and often with the Ministry or regulatory body overseeing their sector of activity (for example, construction companies, both foreign and domestic, need to register with the National Construction Industry Council of Malawi).



The government affiliated Small and Medium Enterprise Development Institute (SMEDI) offers training, assistance in access to finance, market linkages, and mentorship opportunities to domestic SMEs.

### Industrial Promotion

The government's overall economic and industrial policy does not have discriminatory effects on foreign investors. The Malawi Growth and Development Strategy for 2011-2016 (known as MGDS II) identifies a number of sectors as priority growth areas. In 2014, the government compiled an investment projects compendium which identified investment opportunities in agriculture, mining, tourism, energy, and transport infrastructure. MITC's website also lists investment opportunities by sector.

Sugar cane production and processing, legumes, livestock production, dairy farming, oil seed processing, irrigation farming, and large scale commercial agriculture have the highest priority for investment in the agricultural sector. Independent power producers, particularly for hydropower and other renewable power sources, are encouraged. Government is also calling for the private sector (both local and foreign) to develop the tourism sector. Private sector-led mineral exploration is also promoted and the Geological Survey Department is making efforts to produce geophysical and geological maps of Malawi.

### Privatization Program

Malawi has about 60 remaining state-owned enterprises that are involved in commercial operations, particularly in the public utilities sector, agriculture, housing, finance, education, and aviation. All investors, irrespective of ethnic group or source of capital (foreign or local) may participate in privatization bids.

Privatization efforts currently focus on public-private partnerships and attracting strategic investors rather than outright privatization. These are handled by the Public Private Partnership Commission ([www.pppc.mw](http://www.pppc.mw)), formed in 2013 to succeed the former Privatization Commission, which the 2010 Public Private Partnership Act and 2011 Public Private Partnership Policy rendered obsolete.

In 2013, the government sold a 49% share of the bankrupt national air carrier Air Malawi to Ethiopian Airlines, which resumed operations under the Malawian Airlines name. The Government of Malawi has officially announced plans to sell its remaining 51% equity share in the airline in the future but no date has been set. In 2015, the Government of Malawi sold a controlling interest in the Malawi Savings Bank and the government's residual equity in IndeBank. Both foreign and domestic investors were invited to submit bids for these banks. The bidding was considered transparent and one of the banks drew offers from foreign investors, but equity in both banks was ultimately sold to domestic investors.

### Screening of FDI

There is no government policy to screen foreign direct investment. However, foreign direct investment (FDI) needs to be registered with the Malawi Investment and Trade Center (MITC, [www.mitc.mw](http://www.mitc.mw)) and investment capital over \$50,000 must be registered with the Reserve Bank of Malawi (RBM, [www.rbm.mw](http://www.rbm.mw)) through any commercial bank in Malawi.

### Competition Law

The Malawi Competition and Fair Trading Act of 1998 (CFTA) only became fully operational when the Competition and Fair Trading Commission (CFTC, [www.cftc.mw](http://www.cftc.mw)) was established in 2005. Since 2013, the institution has overseen 26 applications for merger and acquisition and dismantled five cartels. The CFTC's role is to encourage competition in the economy, to regulate and monitor monopolies and concentrations of economic power, to protect consumer welfare and to ensure the best possible fair market conditions. So far no mergers or acquisitions have been disapproved.

CFTC decisions may be appealed, first to the Board and subsequently to the Commercial (High) Court.

## Conversion and Transfer Policies

### Foreign Exchange

Government policy seeks to ensure the availability of foreign exchange for business transactions and remittances in order to attract investors and spur economic growth. Commercial banks may operate as forex dealers. Investors have access to forex with no legal limitation, both to pay for imports and to transfer financial payments abroad. Specifically, there are no licensing requirements to import forex and full repatriation of profits, dividends, investment capital, and interest and principal payments for international loans is permitted. The Malawi Kwacha (MWK) is convertible into major world currencies such as the U.S. Dollar, British Pound, Euro, Japanese Yen, Chinese Yuan, and South African Rand, as well as key regional and trading partners' currencies.

Since May 7, 2012, the value of the local currency, the MWK, has floated freely against major world currencies. The Malawi Kwacha depreciated over 40% in 2015. Exchange rate fluctuations coincide with agricultural cycles, particularly the tobacco selling season of April through August. Foreign exchange is available throughout the year and Malawi's official foreign exchange reserves currently are sufficient to cover more than two months of imports.

### Remittance Policies

There are no restrictions on remittance of foreign investment funds (including capital, profits, loan repayments, and lease repayments) as long as the capital and loans were obtained from foreign sources and registered with the Reserve Bank of Malawi (RBM, [www.rbm.mw](http://www.rbm.mw)). The terms and conditions of international loans, management contracts, licensing and royalty arrangements, and similar transfers require initial RBM approval. The RBM grants approval according to prevailing international standards; subsequent remittances do not require further approval. All commercial banks are authorized by the RBM to approve remittances, and approvals are fairly automatic as long as the applicant's accounts have been audited and sufficient foreign exchange is available. While there are no legal restrictions, in recent years there have been some instances of banks lacking sufficient foreign exchange to conduct all remittances immediately.

The 2006 Money Laundering, Proceeds of Serious Crime and Terrorist Financing Act established an autonomous Financial Intelligence Unit (FIU, [www.fiumalawi.gov.mw](http://www.fiumalawi.gov.mw)) to combat money laundering and terrorist financing. The FIU is responsible for analyzing disclosures from financial institutions and referring actionable cases to competent authorities such as the Malawi Police Service and the Anti-Corruption Bureau. The FIU is also mandated to monitor compliance by reporting institutions. The 2015 International Narcotics Control Strategy Report lists Malawi as monitored country.

## Expropriation and Compensation

Malawi's constitution prohibits deprivation of an individual's property without due compensation. There are effective laws that protect both local and foreign investment. Measures that carry expropriation effects are occasionally imposed, including export bans for key commodities. These restrictions applied equally to foreign and domestic investors.

The government can employ land acquisition procedures set forth in the Land Acquisition Act of 1971. According to this Act, the government must justify its acquisition as being in the public interest and must pay fair market value for the land. If the private landowner objects to the level of compensation, he may obtain an independent assessment of the land value. According to the Act, however, such cases may not be challenged in court; the Ministry of Lands, Housing, and Urban Development remains the final judge. Ongoing discussions regarding new land related bills currently before parliament have created some uncertainty regarding land ownership by non-Malawians.

## Dispute Settlement

### Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Both foreign and domestic investors have access to Malawi's legal system, which functions fairly well and is generally unbiased.. Heavy caseloads and staffing limitations, however, mean that legal remedies can take a long time to achieve. There has been little overt government interference in the court system.

The judiciary derives its procedures from English Common Law. By local standards, the Commercial Courts work reasonably efficiently, with dedicated judges and their own registries. There is an established mediation process to promote agreements between parties in disputes before court proceedings start. Enforcement of judgments can be slow.

The court system in Malawi accepts and enforces foreign court judgments that are registered locally in accordance with established legal procedure. There are reciprocal agreements among Commonwealth countries to enforce judgments without this registration obligation. There is no such agreement between Malawi and the United States, but judgments involving the two countries can still be enforced if the judgment is registered appropriately in Malawi.

### Bankruptcy

All bankruptcies are governed by the courts under the provision of the consolidated Insolvency Act of 2016. The Act encourages alternatives to bankruptcy such as receivership and reorganization and gives secured creditors – rank-ordered based upon investment registration dates – priority over other creditors. Monetary judgments are usually made in the investor's currency. Cross border provisions of the Insolvency Act are modeled after United Nations Commission on International Trade Law model laws.

### Investment Disputes

Since 1996, there have been no major investment disputes involving U.S. companies.

### International Arbitration

Malawi is a member of the International Center for Settlement of Investment Disputes (ICSID), accepting binding international arbitration of investment disputes between foreign investors and the state. Malawi's current president is a former arbitrator for ICSID.

### ICSID Convention and New York Convention

Malawi has ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention). It is not a signatory to the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

### Duration of Dispute Resolution – Local Courts

Malawi's courts suffer from long backlogs. The Commercial Courts are no exception. Resolution of commercial cases generally takes many months and often years. It can be difficult to enforce judgments.

## Performance Requirements and Investment Incentives

### WTO/TRIMS

Malawi is not in compliance with World Trade Organization (WTO) Trade Related Investment Measures (TRIMs) notification requirements.

### Investment Incentives

The Malawi Government offers a wide range of tax and non-tax incentives which apply equally to domestic and foreign investors. These incentives apply to several sectors including manufacturing,

agriculture, mining, and others relating to businesses in general. Customs and excise tax incentives are provided on raw materials, machinery, and equipment in a number of sectors. Specific incentives tend to vary from year to year. A detailed list of investment incentives can be found at the Malawi Investment and Trade Center (MITC) website: [www.mitc.mw](http://www.mitc.mw).

Generally speaking, the incentives offered to investors are applied consistently, but many companies complain about long delays in accessing the accrued benefits, especially those that require investors to spend first and claim later. Additionally, firms must negotiate their eligibility for these incentives with the responsible government entities. Some companies complain that this amounts to an undue burden, particularly because when the law changes, old incentive agreements are not automatically grandfathered in but must be renegotiated on a case-by-case basis. In all of these areas, foreign investors are generally accorded the same treatment as nationals.

### Research and Development

U.S. and other foreign firms are able to participate in government- and donor-financed and/or subsidized research and development programs. Health science research projects need to be approved by the National Health Sciences Research Committee. The body charges a filing fee in addition to a 10% fee from approved research programs.

### Performance Requirements

Malawi does not set performance requirements for establishing, maintaining or expanding an investment, nor does it place requirements on source of financing, or geographic location. There is a requirement that at least two Malawian residents be appointed directors of companies registered in Malawi.

The process to obtain employment permits can sometimes discourage investors. Expatriate employees (of both domestic and foreign businesses) who reside and work in Malawi must obtain temporary employment permits (TEPs). The “Policy Statement and New Guidelines for The Issuance and Renewal of [Expatriate] Employment Permits” of 1998 states that investors may employ expatriate personnel in areas where there is a shortage of “suitable and qualified” Malawians. The policy provides for two types of TEPs:

- Those for “key posts” (defined as positions of “strategic importance” in business operations) which are granted for the lifespan of the organization.
- Those for “time posts” (defined as positions with contracts of three-year duration or less) which are granted for three-year periods and renewable once.

The policy underscores the government’s desire to make TEPs readily available to expatriates, and mandates that processing times for TEP applications shall not exceed 40 working days. In practice TEPs take significantly longer and face significant bureaucratic delays as files are not digitized and TEPs are approved by a high-level committee that does not meet regularly. In recent years, several TEP applications have faced extended delays when individuals involved have had disputes with politically-connected individuals. The guidelines have been applied inconsistently and the criteria against which cases are considered is not always clear, leading to delays and considerable uncertainty for both employers and employees.

### Data Storage

Embassy Lilongwe is not aware of any forced localization policies.

### Right to Private Ownership and Establishment

There are some limitations on foreign control. One restriction in the mining industry is that small-scale prospecting and mining operations are reserved for Malawians and foreigners who have resided in Malawi for a minimum of four years. Under the government’s privatization program, participation of an individual foreign portfolio investor is limited to a maximum of 10% of any class or

category of security and the maximum total foreign investment in any portfolio is 49%. During the privatization of government assets, Malawian nationals are offered preferential treatment, including discounted share prices and subsidized credit. Subsidized credit carries a precondition that the shares or assets be retained for at least two years. While this is not a legal requirement, for at least one large mining project, the Government of Malawi asked for and obtained a 15% equity share during licensing negotiations. Under a revised Land Bill currently being considered by parliament, foreign citizens will no longer be able to own land freehold; all foreign held land would be lease-hold for terms up to 50 years, and potentially longer.

### Protection of Property Rights

Malawi has laws that govern the acquisition, disposition, recording and protection of all property rights (land, buildings, etc.) as well as intellectual property rights (copyrights, patents, trademarks, etc.).

#### Real Property

Efforts to improve land tenure have been underway for more than 15 years. At present, most land is under customary land tenure with occupants holding no legally binding title. More than half of arable land is untitled. Government has presented bills to parliament which would convert customary land tenure to leasehold title so that those currently using that land can have legal rights to the land. This would enable them to use such land as collateral for acquiring financing to develop the land and/or to finance other business ventures. The land bills presented would also convert freehold land owned by non-Malawian persons or corporate bodies which are majority owned by non-Malawians to leasehold land unless owners acquire Malawian citizenship within three years of the commencement of the Act.

Currently record keeping for registering land ownership is centralized and inefficient. Efforts are underway to computerize the recordkeeping and to decentralize it to the district councils.

#### Intellectual Property Rights

Malawi recognizes the importance of intellectual property protection and enforcement but lacks the capacity to do so. The Registrar General administers the Patent and Trademarks Act of 1948, which protects industrial intellectual property rights in Malawi. A public registry of patents and patent licenses is kept. Patents must be registered. Trademarks are registered publicly following advertisement and a period of no objection.

The government has signed and adheres to bilateral and multilateral investment guarantee treaties and key agreements on intellectual property rights. Malawi is a member of the convention establishing the Multilateral Investment Guarantee Agency (MIGA), the World Intellectual Property Organization (WIPO), the Berne Convention, and the Universal Copyright Convention. Malawi is not listed in USTR's Special 301 Report, or in the Notorious Markets Report.

Enforcement of intellectual property rights is inadequate. However, general awareness of the importance of protecting intellectual property in all forms (copyrights, trademarks, patents, trade secrets, and others) has improved. The Copyright Society of Malawi (COSOMA), administers the 1989 Copyright Act which protects copyrights and "neighboring" rights in Malawi. Led by COSOMA, intellectual property rights enforcement agencies commemorate World IP Day in April. Although the commemoration has focused primarily on copyrights, it has nonetheless helped to promote awareness of the importance of protection of intellectual property rights.

WTO rules allow Malawi (as a less developed country) to delay full implementation of the Trade-Related Aspects of Intellectual Property Rights (TRIPs) agreement until 2021. The Ministry of Industry and Trade is working with COSOMA, the Registrar General, and the Africa Regional Intellectual Property Organization (ARIPO) to align relevant domestic legislation with the WTO TRIPs agreement. An intellectual property rights policy which would modernize and harmonize related laws and regulations has been drafted, but has not been presented to the Cabinet for approval. In practice, the policy's approval is a prerequisite for the government to proceed to make the changes to



the legal framework to align with TRIPs and modernize Malawi's intellectual property protection regime.

While enforcement officials routinely seize counterfeit goods and goods suspected to be counterfeit, Malawi does not have a systematic approach to tracking and reporting on such seizures and no reliable estimates of the number of seizures, type or value of goods seized, or related information are available.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

#### Resources for Rights Holders

U.S. Embassy  
Economic and Commercial Section  
40/24 Kenyatta Dr.  
Lilongwe, Malawi  
+265-1-773-166  
LilongweECON@state.gov

A list of local attorneys is available at: <http://lilongwe.usembassy.gov/service15.html>

#### Transparency of the Regulatory System

The government continues to undertake various reforms to ensure that no tax, labor, environment, health, safety, or other laws distort or impede investment either foreign or domestic. To increase transparency in the mining sector, Malawi applied for and was granted EITI candidate status. Procedural delays continue to impede the business and investment environment.

While market prices for goods are generally not controlled, prices of most agricultural goods such as maize and state-provided utilities are regulated. The government sets minimum prices for many crops including tobacco, cotton, and maize. Buyers have complained of a lack of transparency in the setting of these prices. Government has instituted automatic pricing mechanisms for fuel and electricity prices. The Ministry of Industry and Trade retains the legal authority to ban the import or export of any good at any time. While this power is seldom used, it can constitute a risk to investors intending to import or export as part of their business. The Ministry of Industry and Trade currently requires export permits for 10 categories of goods, including the staple food crops of maize and rice.

Certain industry associations have sectorial rule-making power that amounts to regulatory power. Some of these associations have set regulations that require the use of local labor, local contractors, or other means to achieve localization or skills transfer to Malawians. Such rules are printed in the Government Gazette, available from the Government Printer. As they are set by associations with closed membership, the rule-making process is not always transparent to foreign firms that have not yet entered the Malawi market, but are considering doing so.

There have been positive steps toward increasing regulatory transparency and improving the foreign investment environment. For example, reforms have shortened the turnaround time for government decisions on applications for construction permits and property registration. Almost all proposed laws, regulations, and policies are subject to public consultation before they are submitted to Cabinet and Parliament. However, sometimes the public notice of such consultations is not issued in a timely manner, with the effect that only insiders are aware of and able to plan to attend the meetings. Sometimes there is an opportunity to submit written comment rather than, or in addition to, attending a meeting, but this is not always the case. Parliamentary procedure calls for draft bills to be debated in relevant committees before being presented on the floor for a vote. Parliamentary rules do, however, permit fast-tracking bills to avoid this step.

## Efficient Capital Markets and Portfolio Investment

The Malawi government recognizes the importance of foreign portfolio investment and has made efforts to provide for a platform for such investment through the establishment of a Malawi Stock Exchange (MSE, [www.mse.co.mw](http://www.mse.co.mw)). MSE hosts about a dozen listed companies. Most of these companies are local and a few are regional. The demand and supply of shares for existing listed companies is limited. However, demand for newly listed companies has always exceeded the shares on offer.

The MSE is regulated by the Reserve Bank of Malawi and is governed by the Companies Act, Capital Market Development Act (1990), Capital Market Development Regulations (1992) as amended in 2013, and the Securities Act (2010).

Foreign investors can buy and sell shares at the stock market without any restrictions. Trading in shares can either be direct or through any one of the four established brokers. Apart from the restrictions under the privatization program (prohibiting 100% foreign ownership), there are no specific measures taken by private firms or government to restrict foreign investment or participation. Foreign investors tend to be the dominant shareholders in large MSE-listed companies requiring significant technical and financial resources. There is a secondary market in government securities, and both local and foreign investors have equal access to purchase these securities.

Liquidity for stock market participation is not a major problem as the private sector in Malawi has a variety of credit instruments. Credit is generally allocated on market terms. The main problem is the cost of credit given high rates of inflation in recent years. Foreign investors may utilize domestic credit, but proceeds from investments made using local resources are not remittable.

### Money and Banking System, Hostile Takeovers

Malawi has a generally sound banking sector, overseen and regulated by the Reserve Bank of Malawi -- the central bank. In 2014, there were eleven full-service commercial banks. 2015 saw two mergers and one creation, bringing the number to ten. Post mergers, the three largest banks -- National Bank of Malawi, Standard Bank, and FDH Bank -- collectively command almost 70% of all banking deposits. In 2014, Malawi's banks' total aggregate assets reached MWK 785 billion (\$1.1 billion).

The Competition and Fair Trading Act does not cover the day-to-day trading on the MSE, but regulates mergers, acquisitions, and takeovers.

## Competition from State-Owned Enterprises

Malawi has over 60 State-Owned Enterprises (SOEs) scattered across many industries/sectors including agriculture and agribusiness, education, construction, energy, finance, health, information and communication, media, and services. A list of these enterprises is available from the Office of the President and Cabinet, but Government does not publish the list in the media or online, nor can it be purchased from the Government Printer. These enterprises are defined by the level of support that they require from government in order to operate, that is, those that are listed as fully funded, partially funded, and fully commercial. Government is sometimes required to bail out commercially-run SOEs when they have incurred losses.

Some SOEs perform public service functions, some are commercial in nature, and some are a mixture of both. All are subject to government regulations that apply to other government departments including on employment and procurement procedures, though some variations apply. All SOEs are required by law to produce annual reports, but do not always do so on time. Commercial SOEs are required to be audited by independent professional audit firms. Non-commercial SOEs should be audited by either the Auditor General or professional audit firms depending on availability of financial resources to pay for the audit.



Private and public enterprises freely compete on the same terms and conditions for access to markets, credit, and other business opportunities, although in practice personal relationships can influence decisions heavily. There are exceptions for some public works assignments where public enterprises tend to be given special preference by government. There have been several instances in the past where public enterprises such as the Agricultural Development and Marketing Corporation (ADMARC) and the Small-holder Farmers Fertilizer Revolving Fund (SFFRF) have been awarded contracts to distribute subsidized agricultural inputs without competing with private sector enterprises. These SOEs also access cheap financing from government, acquiring an advantage over private companies in the agricultural sector. There are no set rules or criteria on such exceptions -- the government tends to decide, often capriciously, on a case by case basis. In general, SOEs tend to get a bigger share of government contracts than privately-owned enterprises.

SOEs in the agriculture, education, and health sectors spend more on research and development than local private sector players and they are seen as doing so for the public good rather than for profit. Because local firms tend to be capital-constrained and because highly-skilled labor (such as research scientists and engineers) is scarce, there is not a strong tradition of private sector-led research and development in Malawi. This can affect government perceptions of foreign firms' research and development activities.

SOEs are subject to the same taxes, including value added tax, as their private sector counterparts. However, capital acquisition (motor vehicles, equipment, and machinery) is not subject to the same taxes. SOEs, particularly non-profit SOEs, also enjoy preferential access to land compared to private sector competitors.

In March 2016, the Government of Malawi clarified its dividend and surplus policy, requiring profit-making SOEs to pay 40% of dividends to the national treasury. SOEs that issue credit, such as, but not limited to, the SFFRF, often refrain from collecting against outstanding debts. Private enterprises complain that these features distort Malawi's markets.

Also important to note is that the government is the major consumer in the Malawian economy, but frequently fails to pay its bills, goes into arrears, and occasionally pays in zero-coupon bonds payable one to three years after issuance, presenting a significant challenge to sellers in the in-country market.

#### OECD Guidelines on Corporate Governance of SOEs

Malawi's SOEs are not required to adhere to the OECD Guidelines on Corporate Governance of SOEs. Corporate governance for most SOEs follows the terms of the relevant Malawi law that established the entity. All SOEs report to a line ministry and to the Department of Statutory Corporations in the Office of President and Cabinet, but also have a Chairperson and Board of Directors. The boards are composed of politicians and professionals typically appointed by the president to be directors. Boards usually also have senior government officials representing government departments as ex-officio/non-voting members. The participation of members of the government as ex-officio/non-voting members on these boards, and of politicians as directors, creates a perceived and/or real conflict of interest.

#### Sovereign Wealth Funds

Malawi does not have a Sovereign Wealth Fund or Asset Management Bureau.

#### Responsible Business Conduct

There is a well-developed sense of corporate social responsibility in Malawi and most corporate entities make a point to publicize such activities in the local media. There are no established laws or regulations governing Corporate Social Responsibility (CSR), nor does the government formally direct CSR to particular sectors.

There are laws governing protection of the environment and waste disposal for producers and consumers. Government expects all enterprises to follow all laws of Malawi regarding employment and compensation. Malawi has a number of labor laws governing employment, work environment, industrial safety, age limits, hours of work, and minimum wages. The Government of Malawi lacks the resources to meaningfully enforce environmental, consumer, and labor related laws and regulations. There is no history of provisions of environmental, social, or labor laws being waived to attract investment. There is no history of the government factoring responsible business conduct policies or practices into its procurement decisions.

Government has enacted accounting standards that conform to international standards that the corporate sector is expected to adhere to. Executive compensations are not defined. All MSE-listed companies are required by law to publish their annual audited accounts in the local newspapers. Listed companies are also required to publicly declare their profits, dividends to be paid out, planned takeovers (or major portfolio investments in or out of the company), and all relevant information that shareholders need to make informed decisions. They are also required to announce their annual shareholders meetings in the newspapers.

### Political Violence

Malawi has been largely free of political violence since gaining independence in 1964. Presidential and parliamentary elections in 2009 and 2014 were peaceful, with no significant incidences of violence. President Peter Mutharika's May 2014 election marked the first electoral victory by a candidate not belonging to the incumbent party since 1994. International observers from the EU characterized the 2014 presidential, parliamentary, and local government elections as generally "peaceful, free, transparent, and credible."

Although divisions do exist, Malawi has no significant tribal, religious, regional, ethnic, or racial tensions that could be expected to lead to violent confrontation. Incidents of labor unrest occasionally occur, but these are usually non-violent. There are no nascent insurrections or other politically motivated activities of major concern to investors. However, there have been some political tensions with neighboring Mozambique and Tanzania in recent years. Tanzania and Malawi are currently trying to resolve a border dispute over the north eastern portion of Lake Malawi.

### Corruption

Malawi law prohibits bribery. Giving or receiving a bribe -- whether to or from a Malawian or foreign official -- is a crime under Malawi's penal code. Public sector corruption, including bribery of public officials and conflicts of interest, however, remain rampant and a major challenge for firms operating in Malawi.

The Corrupt Practices Act established the Anti-Corruption Bureau (ACB) with a mandate of preventing corruption in Malawi. The ACB Director and Deputy Director are both appointed by the President, subject to confirmation by the Public Appointments Committee of Parliament. ACB began full operations in 1998, and in 2004 the Corrupt Practices Act was amended to give ACB additional powers. The definition of corruption was widened to include, among other things, offences for abuse of office and possession of unexplained wealth. The Act provides for the investigation of cases not only for corruption but for other offences that come to light during the course of investigating corruption. The Act also provides protection for "whistleblowers." Malawi's ACB cooperates with other anti-corruption bureaus in the region and beyond. In 2015, a deputy director of the ACB was murdered likely due to his affiliation with the corruption fighting body.

The law provides for criminal penalties for corruption by officials. There are regular reports of government corruption at all levels of government. Notably, 2013 saw the revelation of a massive national corruption scandal known as "Cashgate," involving the theft of at least 20 billion MWK (then USD 49 million) through fraudulent transactions using the government's automated payments system. More than 70 individuals were arrested including a former minister and the commander and deputy

commander of the military. As of March 2016, all ten defendants whose cases have come to an end have been found guilty. Many more cases remain to be prosecuted.

Companies are encouraged to participate in the fight against corruption. The ACB encourages institutions to develop and implement Corruption Prevention Policy frameworks as a way of mainstreaming anticorruption initiatives into their operations. Many companies have signed up to the anti-corruption campaign. The business sector has its own anti-corruption campaign drive called “Business Action against Corruption” that deals with corruption issues within the private sector. Civil society organizations (CSOs) also formed their own institution called “Civil Society Action against Corruption” to deal with corruption within civil society. Few CSOs investigate corruption issues in Malawi.

Forty-eight categories of public officers – including all levels of officials from the president and members of parliament, down to specific categories of civil servants, including traffic police and immigration officers – are required to declare their assets and business interests. The paper declarations are accessible to the public upon request.

Although progress has been made in addressing the issue, corruption continues to be viewed as a major obstacle to doing business in Malawi. There have been serious allegations of corruption, which is perceived to be particularly endemic in the following sectors: police, immigration, road traffic, tax administration, traditional leaders, and government procurement.

#### UN Anticorruption Convention, OECD Convention on Combatting Bribery

Malawi signed and ratified the UN Anticorruption Convention. Malawi subscribes to the provisions of the OECD Anti-bribery Convention, though it is not yet a signatory to the Convention. The government has also signed on to the Extractive Industries Transparency Initiative (EITI) and EITI's International Board has designated Malawi as a candidate country.

#### Resources to Report Corruption

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#### Bilateral Investment Agreements

Malawi's policy is to negotiate bilateral investment treaties with countries whose nationals opt to invest in Malawi. Malawi has signed investment agreements with Italy, Libya, Netherlands, and Zimbabwe. Malawi does not have a bilateral investment treaty with the United States.

Malawi acceded to the Multilateral Investment Guarantee Agency (MIGA) in 1985/86. Malawi has not renewed several investment treaties that lapsed after 1986 since MIGA provides mechanisms for the settlement of investment disputes.

#### Bilateral Taxation Treaties

Malawi and the United States do not have a bilateral tax treaty. Investments, and income derived from them, are subject to applicable taxes in both jurisdictions.

## OPIC and Other Investment Insurance Programs

Malawi has had an OPIC investment guarantee agreement since 1967. In August 1999, the U.S. Export-Import Bank included Malawi under its Africa Short-term Export Credit Insurance Program.

## Labor

A large majority of working age individuals in Malawi live in rural areas and are involved in subsistence agriculture farming. Unskilled labor is plentiful. Skilled and semi-skilled labor on the other hand is scarce.

Occupational categories with skills shortages include accountants and related personnel, economists, engineers, primary and secondary school teachers, lawyers, IT and medical/health personnel. The University of Malawi provides bachelors and masters degrees in economics, engineering, medicine, education, agriculture, and administration. The Malawi College of Accountancy teaches accounting. Chancellor College, part of the University of Malawi system, operates the country's law school. The government also recently expanded its network of vocational schools to address technical skills shortages in the trades and the construction industry.

The Labor Relations Act (LRA) governs labor-relations management in the small Malawi formal sector. The Act allows strikes and lockouts for registered workers and employers after dispute settlement procedures in collective agreements and conciliation have failed. Employers, labor unions, and the government lack sufficient knowledge of their legitimate roles in labor relations/disputes.

Workers have the legal right to form and join trade unions. There are 23 unions affiliated with the Malawi Congress of Trade Unions. Union membership is low, however, given the small percentage of the work force in the formal sector, the lack of awareness of worker rights and benefits, and a resistance on the part of many employees to join unions. In 2013 only 6% of people in wage employment belonged to a union. Despite the enactment of the Gender Equality Act in 2013, discrimination against women remains pervasive as they continue to have lower literacy and education levels and less access to employment opportunities than men. Children in Malawi continue to engage in the worst forms of child labor, most notably in agriculture, including on tobacco farms. While the government is a signatory to the ILO Convention protecting worker rights, mechanisms for enforcing the provisions of the convention are weak. Serious manpower shortages at the Ministry of Labor result in very few labor inspections.

## Foreign Trade Zones/Free Ports/Trade Facilitation

Malawi is a beneficiary of the African Growth and Opportunity Act (AGOA), a U.S. trade preference program.

Legislation for the establishment of export processing zones (EPZs) came into force in 1995. All companies engaged exclusively in manufacture for export may apply for EPZ status. As of March 2016, thirteen companies were operating under the EPZ scheme. Almost all of these are foreign owned companies, though the law does not discriminate on ownership.

The government accords EPZ status only to firms (foreign or domestic) that produce exclusively for export. A Manufacturing under Bond (MUB) scheme offers slightly less attractive incentives to companies that export some, but not all, of their products. Most investors prefer to operate under the EPZ arrangement.

## Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Host Country Statistical source*			USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	4,257t	2014	4,258	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	Data not available	2014	-5.0	<a href="http://bea.gov/international/factsheet/">http://bea.gov/international/factsheet/</a>
Host country's FDI in the United States (\$M USD, stock positions)	2014	Data not available	2014	0.0	<a href="http://bea.gov/international/factsheet/">http://bea.gov/international/factsheet/</a>
Total inbound stock of FDI as % host GDP	2014	Data not available	2014	N/A	

\* Malawi National Statistical Office (<http://www.nsomalawi.mw/>)

[Contact for More Information on the Investment Climate Statement](#)

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## Trade & Project Financing

### Methods of Payment

Imports into Malawi are financed primarily through letters of credit (LCs). Commercial banks require importers to provide cash up front to secure the LCs in order to hedge against the risk of possible foreign exchange losses. Money is then transferred to foreign suppliers through correspondent banks.

Most companies pay each other through checks and bank transfers. The Reserve Bank of Malawi limits check payments to a maximum of 5 million Malawi kwacha (about \$7,143) as an anti-corruption measure. The use of bank transfers is encouraged instead. The retail economy still relies on cash, as credit and debit cards are not common in Malawi.

Mobile phone-based money transfers are an increasingly popular payment method. Both major mobile phone companies offer this service, and many retailers and most of the major banks participate in one or both networks.

Some companies offer their customers credit with negotiated payment schedules; this is most commonly extended to other well-established companies in business-to-business transactions and to government, which frequently requires flexible payment terms due to cash flow problems. Widespread lack of confidence in the Malawi government's management of resources affects Malawi's credit rating.

### Banking Systems

Malawi has a generally sound banking sector, overseen and regulated by the Reserve Bank of Malawi -- the central bank. There are ten full-service commercial banks. The three largest banks -- National Bank of Malawi, Standard Bank, and FDH Bank -- collectively command almost 70% of all banking deposits. In 2014, Malawi's banks' total aggregate assets reached MWK 785 billion (\$1.1 billion).

Malawi neither has nor requires depositor insurance, but the RBM enforces safeguards and capital requirements. The RBM has guidelines on capital adequacy, liquidity ratio, etc., and adopted Basel II standards in January 2014. International accounting standards adopted by the Institute of Chartered Accountants in Malawi (ICAM) apply to banks. Bank financial statements are in compliance with these standards, and are audited by internationally recognized firms including KPMG, Ernst & Young, and Deloitte.

### Foreign Exchange Controls

The Malawi kwacha has freely floated since it was unpegged from the U.S. dollar in 2012. Since then, the Reserve Bank of Malawi (RBM) has periodically intervened in the foreign exchange market. Though foreign exchange markets operate freely, RBM has the mandate, like any other central bank, to manage the exchange rate in order to maintain a sustainable balance of payments position, attain stable domestic prices, and foster growth in real income. Legislation regarding exchange controls can be referenced at <https://www.rbm.mw/Statistics/ExchangeControl/>.

The major suppliers in the foreign exchange market in Malawi are the tobacco companies; the foreign exchange bureaus; donor inflows; foreign direct investments; and sugar, tea and pulses exports.

### U.S. Banks & Local Correspondent Banks

National Bank of Malawi (NBM) maintains banking relationships with over thirty correspondent banks, including Citibank, Standard Chartered of New York, Chase Manhattan, Bank of New York, Equator Bank, and Barclays Bank. Banking services include demand-deposit accounts, telegraphic transfers, and travelers' checks.



Standard Bank (SB) maintains banking relationships with Citibank, Chemical Bank, Bank of New York, Bank of America, and Equator Bank. Banking services include demand deposit accounts, telegraphic transfers, and Citibank travelers' checks.

Finance Corporation of Malawi (FINCOM) maintains banking relationships with Citibank and Equator Bank. Banking services include demand deposit accounts and telegraphic transfers.

First Merchant Bank (FMB) maintains banking relationships with Citibank and American Express. Banking services include demand deposit accounts and telegraphic transfers.

In August 1999, the U.S. Export-Import Bank included Malawi under its Africa Short -Term Export Credit Insurance Program.

### Project Financing

Most major projects in Malawi are financed by foreign capital, whether from the private sector or in the form of development assistance.

The World Bank, through its International Development Agency (IDA), is Malawi's most consistent international source of financing for public projects. The African Development Bank (AfDB) and its affiliated Fund constitute other major sources of project financing. The U.S. Government, the World Bank, and the African Development Bank/Fund are the major donors for big projects in which U.S. firms are eligible to participate. The finance from these development partners comes in combinations of grants and soft loans.

Malawi has had a U.S. Overseas Private Investment Corporation (OPIC) investment guarantee agreement since 1967. Today, OPIC offers a variety of products that may be of interest to U.S. companies investing in Malawi.

### General Financing Availability:

Kwacha-denominated financing is available from Malawi's commercial institutions. Credit is allocated on market terms, and foreign investors are eligible to apply for it. Proceeds from any investment using local resources, however, are not remittable.

Imports into Malawi are financed primarily through secured letters of credit (LCs).

Several local financial institutions have lines of credit from both regional and multilateral organizations for lending to domestic investors in need of foreign exchange.

### Multilateral Development Banks (African Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the African Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the African Development Bank (<http://www.export.gov/afdb>) and the World Bank (<http://export.gov/worldbank>).

### Web Resources

Commercial Liaison Office to the African Development Bank <http://www.export.gov/afdb>

Commercial Liaison Office to the World Bank <http://export.gov/worldbank>



## Financing Web Resources

- Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team:  
<http://www.export.gov/tradefinanceguide/index.asp>
- Export-Import Bank of the United States: <http://www.exim.gov>
- OPIC: <http://www.opic.gov>
- Trade and Development Agency: <http://www.tda.gov/>
- SBA's Office of International Trade: <http://www.sba.gov/oit/>
- USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccg/default.htm>
- U.S. Agency for International Development: <http://www.usaid.gov>
- African Development Bank: <http://www.afdb.org>
- Reserve Bank of Malawi: <http://www.rbm.mw>

## Business Travel

### Business Customs

Malawians are characteristically helpful in both personal and business dealings. Business travelers to Malawi seeking appointments with U.S. Embassy Lilongwe should contact the economic and commercial section in advance at +265-1-773-166 extensions 3406 and 3253, or by email to [LilongweECON@state.gov](mailto:LilongweECON@state.gov).

### Attire

Malawi business attire is relatively formal. Business suits are recommended.

### Food

A variety of food is normally available in Malawi's urban areas. A few stores carry imported goods. Expatriates patronize a handful of restaurants in both Lilongwe and Blantyre. Rural areas have very few restaurants, almost none of which attract foreigners. The U.S. Embassy recommends drinking only boiled, bottled, or distilled water. Raw, unpeeled fruits and vegetables should be avoided.

### Housing

Short-term visitors to Malawi would most likely stay in tourist-class hotels, which are located in major urban areas and lakeside resorts. Accommodations in rural areas are generally not recommended. Expatriate residents in Malawi generally live in modern housing in the major urban centers. Power and water are generally available in major cities, but supply interruptions are common. The housing markets in Lilongwe and Blantyre are tight. Local real estate agents are available to help locate housing.

### Travel Advisory

The Department of State Consular Information Sheet for Malawi can be found at:  
<https://travel.state.gov/content/passports/en/country/malawi.html>

### Visa Requirements

A passport with at least two blank pages, a visa or entry permit, return ticket, and adequate funds are required for entry into Malawi. Effective October 1, 2015, U.S. citizens traveling to Malawi for tourism, transit, or business should obtain a visa prior to entering Malawi, although U.S. travelers may obtain entry visas upon arrival at either of Malawi's international airports and all official border crossing points. Even though Malawi has informed the International Air Transport Association (IATA) that visas may be obtained by U.S. travelers upon arrival, some airlines may require travelers to have a Malawian visa before boarding connecting flights to Malawi.

U.S. business travelers should contact the Malawi Embassy in Washington, DC for the latest information on visa requirements: <http://www.malawiembassy-dc.org>

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

- State Department Visa Website: <http://travel.state.gov/visa/>
- U.S. Embassy Lilongwe Website: <http://lilongwe.usembassy.gov/service.html>

## Currency

The local currency is called the Malawi kwacha (MK). It is easily convertible to other currencies at banks and forex bureaus in Malawi. Banks tend to have U.S. dollars, South African rand, British pounds, and Euros.

Most ATMs will give you Malawi kwacha on your Visa or MasterCard, provided the credit, debit, or ATM card is compatible. Travelers checks are acceptable to most banks and forex bureaus, but the exchange rates used for travelers checks are generally disadvantageous to the traveler compared to those for cash.

You can pay using your Visa (occasionally MasterCard) at some major shops, tourist-oriented businesses (tourist-class hotels, travel agents, rental car agencies) and a few restaurants in Lilongwe and Blantyre. Most smaller shops do not accept debit and credit cards.

## Telecommunications/Electric

Malawi's telecommunications infrastructure is functional but sometimes overburdened. Mobile telephone service is expanding rapidly and 35% of individuals currently have access to mobile phone service. Two companies (Malawi Telecom Limited (MTL) and Access Communications) were originally licensed to provide fixed line telephone service. However, both are also providing mobile phone services. Four (Telekom Network Malawi (TNM), Airtel Malawi, MTL, and Access Communications) offer cellular telephone service. Malawi has well-established GSM (TNM and Airtel) and emerging CDMA (MTL and Access) mobile networks. Most corporate offices and tourist-class hotels have telephones and faxes. The international country code for Malawi is 265.

There are two internet gateway providers and several internet service providers. According to the International Telecommunication Union, approximately 6.8% of Malawians used the Internet in 2015. Internet is widely accessible, though congested, in the major cities of Blantyre, Lilongwe, Mzuzu, and Zomba, but only about 15% of the population lives in urban areas. Internet is not widely available in rural areas. Wireless access to the internet is improving and some access, particularly over 3G mobile phone networks, is now available in rural areas located along major transportation corridors with adequate communications tower coverage. Some tourist resorts have satellite internet links.

Malawi's electricity is 220 volts, 50-60 Hertz, though voltage quality is unreliable. Surge protectors are recommended for sensitive or valuable electronics. A variety of plug types are in use, but the most common is the UK-standard square 3-prong plug.

## Transportation

### Ground Transportation

Paved, two-lane highways connect Malawi's major cities of Blantyre, Lilongwe, Mzuzu, and Zomba. Highways also connect the lakeshore communities of Nkhosha, Nkhata Bay, Salima, and Mangochi with Lilongwe, Mzuzu, and Zomba. Paved roads extend from Blantyre to the borders of Mozambique, from Lilongwe to the Zambian border, and from Karonga to the Tanzanian border. Inadequate drainage often contributes to the premature break-up of road surfaces that are subject to

washouts during the rainy season. Many dirt roads are not passable during the rainy season (roughly November to April).

Rental cars are available for hire in Blantyre, Lilongwe, and Mzuzu. Driving at night outside urban areas is unsafe. Malawi has an extensive network of buses, but only the best class bus service connecting Blantyre, Lilongwe, and Mzuzu is normally considered acceptable for business travel.

### Air Transportation

Airports on the outskirts of Lilongwe and Blantyre handle international air traffic. There are daily scheduled flights to Addis Ababa, Ethiopia; Nairobi, Kenya; and Johannesburg, South Africa. Connections can be made from these points to Asia, Europe, and North America. There are also reliable flights from Malawi to Lusaka, Zambia; Harare, Zimbabwe; and Dar-es-Salaam, Tanzania. There are daily flights between Blantyre and Lilongwe.

### Rail Transportation

The Central East African Railways Company (CEAR) operates limited passenger services between Limbe, Balaka, and Nayuchi (border with Mozambique), and freight service between Lilongwe, Blantyre, and the Mozambican port of Nacala. A track extension connects Malawi's network to the Zambian network, but there is not yet any scheduled service to Zambia.

Vale, a Brazilian mining company, began construction and rehabilitation of the new rail line from Tete/Moatize in Mozambique through Malawi to the port of Nacala in 2013. The new rail line was completed in early 2015 and coal trains started using the line in December 2015.

### Water Transportation

Limited freight and passenger services are offered on Lake Malawi. There is a shipyard and workshops at Monkey Bay, and nine vessels (of which five are operational). The vessels have capacity to transport containers, petroleum products, and passengers through the ports of Chilumba and Chipoka on Lake Malawi, including stops in Tanzania and Mozambique. Concessionaire Mota-Engil now manages both lake services and ports.

### Language

English, the official language of Malawi, generally suffices for business communication, although few rural Malawians speak it. The most common vernacular languages include Chichewa (spoken throughout the country), Chitumbuka (spoken primarily in the North), and Chiyao and Lomwe (spoken primarily in the South).

### Health

Malawi's health facilities are far below Western standards. Malaria and other tropical diseases are prevalent throughout the country. The HIV/AIDS rate is high, particularly in urban areas. Much of Lake Malawi and the country's river network is infested with schistosomiasis (bilharzia). Malaria prophylaxis is recommended while in Malawi, as is a comprehensive immunization regime before entering the country. The U.S. Embassy recommends drinking only boiled, bottled, or distilled water. Raw, unpeeled fruits and vegetables should be avoided.

For more information please visit: <http://wwwnc.cdc.gov/travel/destinations/traveler/none/malawi>

### Local Time, Business Hours and Holidays

Malawi is on GMT+2. There is no system of daylight savings time during any part of the year. Official government business hours are 07:30 to 12:00 and 13:00 to 17:00 Monday to Friday. Some businesses choose to open on Saturdays, Sundays, and public holidays, usually for limited hours.

Malawi's official holidays for 2017 are:

- New Year's (January 1)

- John Chilembwe Day (January 15)
- Martyrs' Day (March 3)
- Good Friday
- Easter Monday
- Labor Day (May 1)
- Kamuzu Day (May 14)
- Republic Day (July 6)
- Eid El Fitr
- Mothers' Day (October 15)
- Christmas Day (December 25)

### Temporary Entry of Materials or Personal Belongings

Under Malawi law, the Controller of Customs and Excise is authorized to allow the temporary importation of goods. The Controller may impose conditions on temporary importation -- such as mandatory re-export -- and may allow entry "for such period as he thinks fit" and "for such purposes as he may approve." Temporary entry is customarily authorized when goods are in transit to other countries, or when goods are accompanying tourists.

### Travel Related Web Resources

- Department of State Consular Information Sheet: <https://travel.state.gov/content/passports/en/country/malawi.html>
- State Department Visa Website: <http://travel.state.gov/visa/index.html>
- United States Embassy Lilongwe Internet Website: <http://lilongwe.usembassy.gov>
- Malawi Tourism Guide: <http://www.malawitourism.com>
- Lonely Planet Malawi: <http://www.lonelyplanet.com/malawi>
- Malawi telephone directory: <http://www.africaphonebooks.com> or <http://www.000265.com>

## Leading Sectors for U.S. Exports & Investments

### Best Prospect Overview

#### *Energy*

#### Overview

With an electrification rate of only around 10%, Malawi has one of the most severely constrained power sectors in sub-Saharan Africa. Total system capacity stands at just 351 MW, nearly 20% of which was added only in 2013 with the commissioning of the 64 MW Kapichira II hydropower project. This represents the first new generation supply in over 13 years. Peak demand presently exceeds supply by almost 100 MW, and demand forecasts by the Government of Malawi's Department of Energy indicate that this gap will grow significantly between now and 2030. The existing power system has its source of supply from three hydro power stations on the Shire River and a 4.5 MW mini-hydro on the Wovwe River. There is also a MVA solar photovoltaic plant at Kamuzu International Airport run by the Airport authority. The existing operating capacity of ESCOM (351.7MW) carries a system operating reserve of 10MW. While the vast majority of Malawi's power is hydro-based, efforts are underway to diversify generation sources, including with support of the U.S. Millennium Challenge Corporation.

#### Sub-Sector Best Prospects

With generation capacity currently lagging behind demand for electricity, electricity generation is a high priority. In April 2011, the Millennium Challenge Corporation signed a Compact Agreement with the Government of Malawi, which entered into force in September 2013. The Compact focuses on

power infrastructure, power sector reform, and environmental and natural resource management aimed at securing hydropower generation on the Shire River.

U.S. companies can explore independent electricity generation opportunities through power purchase agreements and other possible outsourcing opportunities with ESCOM, the national power utility.

### Opportunities

Between now and 2020, the Malawi Government plans to add over 100 MW of power. Despite these efforts, a power shortfall remains projected for 2020. As Malawi lacks the capital to fully meet this gap on its own, it is considering new generation projects using available ESCOM resources and proposals from independent power producers, further grant funding, soft loans, and bilateral borrowing.

ESCOM is currently implementing the following power supply projects:

- 10MW diesel peaking plant in Lilongwe expected on line by 2016 and funded by ESCOM.
- 6MW diesel peaking plant in Mzuzu currently under procurement and funded by ESCOM. It is expected on line by 2017.
- 23MW Tedzani IV under procurement and funded by JICA. This is expected to be on line by 2018.
- 300MW Kammwamba Coal Fired plant being championed by Government of Malawi. Plans are to bring 10% of output on line by 2019 and 90% by 2020 with the final 100% by 2021.
- An additional 12 MW at the Nkula A hydropower plant as part of the MCC-funded rehabilitation of this site.

### Projects under Feasibility and/or Design Stage:

Government is undertaking several feasibility and design studies of power sources which could be implemented in the short term (2016 – 2020). A brief summary of the projects:

- Songwe River Basin Hydro Electric Project Phase I

This is a joint project by the governments of Malawi and Tanzania. The African Development Bank funded the feasibility and design studies. The final Design Report was expected end of 2015. Funding and other administrative issues are expected to be finalized in 2016. This project will be commissioned in 2022 with 90MW reserved for each country.

- Mpatamanga Hydro Electric Project

Funded by the World Bank, the feasibility study is expected to be completed in 2016. Mpatamanga is expected to generate up to 350MW. It will have a large reservoir expected to benefit investments downstream like Kapichira Power station, the future Hamilton Falls Hydro Electric Project, and also the Lower Shire Irrigation Project. Current estimates are that the power station will be on line by 2021. Power is expected to be evacuated through the new Phembeya Substation.

- Kholombidzo Hydro Electric Project

The feasibility and design studies are being funded by the African Development Bank. It is a run of river design, which will generate about 100MW, and may potentially include some storage. Kholombidzo is very close to the new Phombeya Substation through which power is expected to be evacuated. The feasibility report is expected to be delivered in 2016.

- Lower Fufu Hydro Electric Project

The World Bank is funding the feasibility study and detailed design of this project. The project will be on South Rukuru River with North Rumphu and Lower Fufu River transfer. The location is independent of the other power stations and also Phombeya Substation. For system stability, its location would greatly enhance security of the power system and also reduce losses. However system optimization would require the above feasibility studies due sometime in 2016. The scope of

works for Lower Fufu involve extensive tunneling and may cause delay in the completion of the project.

- Cogeneration (Renewable)

The proposal is to use bagasse from sugarcane mills at Dwangwa and Nchalo to generate power for the grid. The study is being funded by the World Bank and expected to be finalized in 2016. The project has a quick implementation period. At Dwangwa, 5MW can be injected into the grid in one year and this can be followed by 20MW at Dwangwa and 35MW at Nchalo by 2018. It is proposed that its developments should be done by an IPP or PPP.

- Geothermal

The government is recruiting a consultant to scan and identify potential sites for geothermal. While geothermals are a very attractive source of power, it is prudent to be conservative about the likelihood of a find at this phase. The project is part of a World Bank funded package.

- Interconnection Projects:
  - Mozambique – Malawi Interconnection

The first phase of interconnection between Malawi and Mozambique at 400kV would connect Tete in Mozambique and Phombeya in Malawi. The initial design for this line was to construct a line with a transmission capacity of 280MW during drought conditions. The feasibility and design studies are being updated and the line is expected to be commissioned in 2018. EDM (a Mozambique Power Supply Company) has committed to provide 50MW as part of the agreement. World Bank is funding this project.

The second phase of interconnection with Mozambique will involve the construction of a 400kV line from Phombeya in Malawi to Nampula (Nacala) Province. This will enable Malawi to import and transmit power from the energy rich Tete Province (both hydro and coal power stations) to Nampula Province. This interconnection offers a great relief in power deficit through power imports and also sets open a door for exports to the regional market in times of excess power as well as an opportunity for railway electrification from Phombeya substation.

- Malawi – Tanzania Interconnection

A Southern African Power Pool (SAPP) Regional Generation and Transmission Expansion Plan Study by Nexant and funded by the World Bank in 2009 recommended that “the planned projects to interconnect ESCOM and TANESCO be given high priority and accelerated to the extent possible”. The World Bank is currently funding a feasibility study to interconnect Malawi and Tanzania with a 400kV line from Nkhoma in Malawi via Songwe to Tanzania. This project will also interconnect the SAPP with the Eastern African Power Pool.

- Zambia – Malawi Interconnection

An MoU was signed between the Governments of Malawi and Zambia to facilitate project implementation. This line will be at 330kV connecting Chipata in Zambia to Nkhoma in Malawi.

- Other Renewable Power Options

Apart from mini-hydro power and cogeneration potential plants, other renewable power generation options also exist in Malawi. These include concentrated solar power (CSP), solar photovoltaic (PV), and wind. Most of these options can be developed for either grid connection or off-grid use. With support from the World Bank and also the University of Strathclyde, the GoM is looking at potential sites for these renewables. A thorough study however has to be undertaken to validate the development and application of these renewable energy sources in the Country. It is also worth noting that the current ESCOM grid can only absorb a limited amount of power from variable renewable sources such as wind, solar PV, and CSP. Some preliminary assessments have indicated that the grid can only take up to 40-85 MWs of such variable power sources on the existing network.



- Independent power producers

Independent power producers, together with the government, are considering at least four projects that, combined, could provide up to an additional 220 MW of power.

- Proposed 40-100MW solar energy project by U.S. company Atlas Energies
- Proposed 40 MW hydropower project on the Bua River at Mbongozi with local firm HE Power
- Proposed 30 MW solar energy project with Canadian firm JCM Capital
- Proposed 50 MW solar energy project with Tanzania company Grow Mine Africa

These independent power producer projects may also represent potential opportunities for debt and/or equity investors. More information is available from the Department of Energy.

- Additional near-term opportunities

With existing or soon-to-be-completed feasibility studies, there are real opportunities for near-term investment for public-private partnerships and/or for independent power producers.

- Longer-term opportunities

Two additional hydropower projects and a handful of solar, geothermal, and biomass projects provide other potential opportunities. These projects are at various stages of development and consideration by the government and could eventually become prime for public-private partnership. Generation projects are expected to benefit from possible trading and export opportunities when cross-border transmission projects are in place with Mozambique, Tanzania and Zambia.

### Web Resources

- Malawi Energy Regulatory Authority (MERA): <http://www.meramalawi.mw/>
- Electricity Supply Corporation of Malawi (ESCOM): <http://www.escom.mw/>
- MCC Compact: <http://www.mcc.gov/pages/countries/program/malawi-compact>
- Millennium Challenge Account-Malawi Website: <http://www.mca-m.gov.mw>

### *Agricultural Sector*

#### Overview

Agriculture is the sector in which Malawi competes most successfully in international markets. Tobacco, tea, sugar, and coffee are Malawi's most important cash crops, but exporters have also registered growing success with groundnuts and macadamia nuts. Agricultural diversification is important for Malawi. U.S. goods or technical knowledge that could be adapted in a cost-effective manner to Malawi's agricultural conditions and boost the quality, quantity, or diversity of crops might find a profitable market.

Opportunities for investment in irrigation exist in Malawi's still largely rain-fed agricultural sector. Horticultural products such as vegetables, flowers, fruits, and rice, can be grown using surface, gravity, pump, river diversion, or sprinkler irrigation systems. Out of the 400,000 hectares of land suitable for irrigation, only 74,000 hectares are currently under irrigation.

#### Opportunities

- Soy Bean Processing

Malawi grows significant quantities of soy beans. This high protein value crop is currently being processed for breakfast cereal for infants and HIV/AIDS patients, additives for meat, bakery, and animal feed, for soy milk, and for the manufacture of soap. Current processing is at a small scale and there is great potential for additional investment to supply the local and regional markets. The central and northern Malawi districts of Kasungu, Ntchisi, Mzimba, Lilongwe, and Mchinji are significant soy bean growing areas. Potential investors intending to export the commodity should be aware that



legumes are one of a small number of goods whose export requires a government issued export permit.

- Groundnuts

Malawi has a history of supplying groundnuts (peanuts) to the global market, and its yields compete with or exceed regional competitors despite smallholder farmers' use of low quality seed and less advanced farming techniques. Although aflatoxin presents challenges and acts as a barrier to accessing European markets, some private companies have successfully instituted handling procedures to ensure quality control, suggesting the fungus can be overcome. Opportunities exist to add value by processing groundnuts into products such as peanut oil, peanut paste, and livestock feed, among others. Potential investors intending to export the commodity should be aware that legumes are one of a small number of goods whose export requires a government issued export permit.

- Maize

Maize is Malawi's staple food, resulting in high demand for maize and maize products. Today, the majority of Malawi's maize production is undertaken by smallholder farmers. If yields are increased, for example through increased use of improved inputs and agronomic practices, Malawi could be regionally competitive in maize and maize products. Potential investors intending to export the commodity should be aware that maize is one of a small number of goods whose export requires a government issued export permit. In recent years, exports have not been permitted. The domestic maize market is subject to price controls.

- Pigeon Peas

Malawi is the world's third largest producer of pigeon peas, which are consumed both locally and abroad. Malawi's pigeon peas are valued in India for their unique flavor, and Malawi's harvest season coincides with India's dry season, offering market synergies and a premium price during India's shortage period. Other export markets in Europe and the United States offer year-round opportunities. Malawi's current pigeon pea processors operate under capacity, and investors believe there is significant scope to expand production without negatively impacting the overall market. Pigeon pea is currently produced primarily in the Southern Region, where it is a traditional crop grown for home consumption and as a cash crop. There is significant potential to expand production within the Southern Region and in other parts of the country.

- Sugarcane

Malawi's sugarcane productivity and yields are over 60% higher than the regional average, indicating the country has a comparative advantage in sugarcane. Opportunities exist at both production and processing stages of the value chain. The country has a single, structured market for sugarcane and sugar, but the sole sugar processor requires more raw sugarcane than it can produce on its own. Malawi's National Export Strategy prioritizes investments in the sub-sector. Opportunities also exist for associated ethanol production.

- Dairy Industry

Malawi's milk consumption is the lowest in Africa at 5 liters per capita compared with Africa's average of 80 liters and the World Health Organization's (WHO) recommended intake of 200 liters per year. There are about 17,000 dairy farmers in Malawi (members of the Malawi Milk Producers' Association), approximately 8,800 or 52% of whom have dairy animals. Average production of milk in Malawi is 67,000 liters per day for the formal market. This translates to about 24 million liters per year for both commercial and small scale farmers. Even at this level Malawi imports 50% of its dairy products. This shortfall underlines the opportunity for investment in the industry. Key areas for investment at the primary production level include:

- Cattle breeding;

- Feed growing and feed production;
- Hay production through growing of Rhodes grass and stocking it for sale to farmers;
- Manufacture cooling tanks and collection equipment (e.g. milk churns);
- Service provision (e.g. artificial insemination, operation of dipping tanks, administration of drugs, and transportation of raw milk to processing plants).
- Livestock Farming

The livestock industry as a whole is not well developed in Malawi. In addition to the dairy sector, opportunities exist for investment in cattle farming for beef and meat products. The existing cattle population, livestock culture, and available land in Mzimba District in Northern Malawi make it a suitable area for investment in cattle farming. Mzimba town, Champhira and Euthini have the basic power, transport, and water infrastructure to support investment in processing industries. In the poultry industry there is a potentially significant market for day-old chicks, many of which are currently imported from South Africa. Malawi's production of broilers and layers is expanding to meet increasing domestic demand for poultry and eggs, and there is scope for investment in the expansion of broiler and layer breeding and production.

- Other Agricultural Products

A recent study of agricultural investment opportunities in Malawi identified cassava, cotton, macadamia nuts, rice, and tea as sub-sectors with potential for medium- to long term growth. According to the study, value addition in these chains could be a significant medium- to long-term opportunity, as the commodities currently are consumed or exported with limited processing.

## Telecommunications

### Overview

The telecommunications sector is fast-growing but still underdeveloped in Malawi. Telephone penetration rates in Malawi are the lowest in the Southern African Development Community (SADC) region. Mobile phone penetration in Malawi is 38%. Existing mobile phone companies have a combined customer base of about 5 million within a population of over 17 million. The service offered is at times not reliable, with many dropped calls and daily congestion. Call rates are also one of the highest in the region. The Government of Malawi plans to increase the number of operators to bring efficiency to the sector.

### Sub-Sector Best Prospects

The best prospects in the telecommunications sector are in the operation of mobile phone companies and the supply of inexpensive handsets.

### Web Resources

- Malawi Communications Regulatory Authority: <http://www.macra.org.mw>.
- Malawi Communications Regulatory Authority Email: [dg-macra@macra.org.mw](mailto:dg-macra@macra.org.mw).
- Malawi Investment and Trade Center: <http://www.mitc.mw>

## Mining and Minerals

Year	2012	2013	2014
Coal Production (m. tons)	70,552	67,024	63,673
Cement Production (m. tons)	64,100	60,895	57,850
Agricultural Lime Production (m. tons)	22,388	21,269	20,206
Uranium Concentrates Production (m. tons)	1,180	1,347	500
Phosphate Production (m. tons)	12,403	11,783	11,194
Rock Aggregate Production (m. tons)	1,150,324	1,092,808	1,038,168
Gemstone Production (m. tons)	122	116	110

Source: Malawi Government, Department of Mines

## Overview

Malawi's long term goal is to increase the mineral sector's contribution to GDP from less than 2% in 2011 to 10% over the coming years. Potential exploration targets include rare earth minerals, gold, uranium, platinum group of minerals (PGMs), base metals (nickel and copper), dimension stone, phosphates, heavy mineral sands, graphite, and coal.

The Malawi Geological Survey Department recently released the results of the high resolution airborne geophysical survey. The data can be readily procured for analysis.

## Sub-Sector Best Prospects

Several international companies have been actively engaged in the mineral exploration and mine development for various minerals in the recent past. The most sought after minerals are rare earth elements, niobium, uranium, zircon, tantalite, limestone, and heavy metal sands.

With funding from development partners, the Government of Malawi hired Sanders Geophysics Limited to conduct a countrywide airborne geophysical survey in 2013-2014. A digital dataset has been submitted to the government and the dataset is available for sale to interested parties.

## Opportunities

Opportunities exist for investors to develop projects in mining itself or to provide support services such as power generation.

## Web Resources

- Malawi Investment and Trade Center: <http://www.mitc.mw>
- Malawi Ministry of Mines: <http://www.mines.gov.mw>
- Mining in Malawi trade review: <https://mininginmalawi.com>

## *Other Commercial Sectors*

### Computers and Computer Peripherals

U.S. products constitute about half of the growing Malawi market for computers and computer peripherals. Malawi has no import duties on computers, uninterrupted power supply (UPS) units, and computer printers.

### Aid Projects

Donor support for Malawi has created opportunities for U.S. businesses to supply materials, equipment, and expertise for donor-financed projects in various areas. The U.S. Government, the World Bank, the European Union, the UK, and the African Development Bank/Fund are the major donors for projects for which U.S. firms are eligible. There is a particular opportunity in providing medical supplies and equipment. Requests for proposals are available here:

- USG: <http://www.fedbizopps.gov> or <http://www.fbo.gov>
- AFDB: <http://www.afdb.org/en/documents/project-related-procurement/>
- World Bank:  
<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,contentMDK:20060540~pagePK:84269~piPK:60001558~theSitePK:84266,00.html>